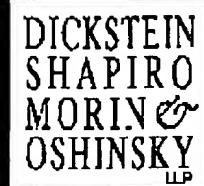


MAR 27 2006

## FAX TRANSMISSION

DATE: March 27, 2006CLIENT NO.: S4264.0000/P001-BMESSAGE TO: Examiner Rachel L. PorterUSPTOFAX NUMBER: 571-273-8300PHONE: 571-272-6775FROM: Jon D. GrossmanPHONE: (202) 828-2279PAGES (Including Cover Sheet): 25 HARD COPY TO FOLLOW: X YES        NO

SENT BY:		DATE/TIME:
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## MESSAGE:

Please see the attached. Per your request for the Office Action dated November 7, 2005. The proposed Response to Non-Final Office Action was previously faxed March 24, 2006.

If your receipt of this transmission is in error, please notify this firm immediately by collect call to our Facsimile Department at 202-861-9106, and send the original transmission to us by return mail at the address below.

This transmission is intended for the sole use of the individual and entity to whom it is addressed, and may contain information that is privileged, confidential and exempt from disclosure under applicable law. You are hereby notified that any dissemination, distribution or duplication of this transmission by someone other than the intended addressee or its designated agent is strictly prohibited.

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002/025



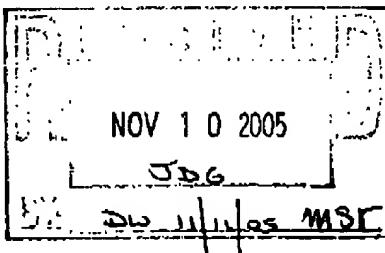
## UNITED STATES PATENT AND TRADEMARK OFFICE

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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
08/605,628	02/22/1996	CHARLES B. SIMONE	S4264.000/P0	8170

24998 7590 11/07/2005

DICKSTEIN SHAPIRO MORIN & OSHINSKY LLP  
2101 L Street, NW  
Washington, DC 20037



EXAMINER
PORTER, RACHEL L

ART UNIT	PAPER NUMBER
3626	

DATE MAILED: 11/07/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

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**MAR 27 2006**

<b>Office Action Summary</b>	<b>Application No.</b>	<b>Applicant(s)</b>
	08/605,828	SIMONE, CHARLES B.
	<b>Examiner</b>	<b>Art Unit</b>
	Rachel L. Porter	3626

*-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --  
Period for Reply*

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### Status

1) Responsive to communication(s) filed on 15 August 2005.  
 2a) This action is FINAL.                    2b) This action is non-final.  
 3) Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### Disposition of Claims

4) Claim(s) 1-9 is/are pending in the application.  
 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.  
 5) Claim(s) \_\_\_\_\_ is/are allowed.  
 6) Claim(s) 1-9 is/are rejected.  
 7) Claim(s) \_\_\_\_\_ is/are objected to.  
 8) Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

#### Application Papers

9) The specification is objected to by the Examiner.  
 10) The drawing(s) filed on \_\_\_\_\_ is/are: a) accepted or b) objected to by the Examiner.  
     Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
     Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).  
 11) The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### Priority under 35 U.S.C. § 119

12) Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).  
 a) All    b) Some \* c) None of:  
 1. Certified copies of the priority documents have been received.  
 2. Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.  
 3. Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### Attachment(s)

1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)	4) <input type="checkbox"/> Interview Summary (PTO-413)
2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)	Paper No(s)/Mail Date. _____
3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08)	5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152)
Paper No(s)/Mail Date _____	6) <input type="checkbox"/> Other: _____

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**DETAILED ACTION*****Notice to Applicant***

1. This communication is in response to the amendment filed 8/15/05. Claims 1-9 are pending.

***Continued Examination Under 37 CFR 1.114***

2. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on 8/15/05 has been entered.

***Claim Rejections - 35 USC § 101***

3. The rejections of claims 7-8 under 35 U.S.C. 101, for not incorporating the technological arts are hereby withdrawn.

***Claim Rejections - 35 USC § 103***

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(e) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

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5. Claims 1,2,4,4,6-7, and 9 are rejected under 35 U.S.C. 103(a) as being unpatentable over Dewey et al (USPN 5,084,819) in view of McDonnell ("Paying for Health Eager to Control Health-Care Costs...")

[claim 1] Dewey discloses a computer system for evaluating at least one individual, comprising:

- survey means for gathering information into a computer system database pertaining to said individuals' lifestyle, health, and medical tests in the form of a plurality of survey questions; (Figure 3; Table 1; col. 3, lines 64- col. 4, line 19; col. 8, lines 43-50)
- entry means for inputting said gathered information; (col. 3, lines 9-16; lines 25-29; lines 35-42)
- a computer system database for receiving and storing said gathered information; (col. 3, lines 9-42; col. 8, lines 43-50 )
- means for verifying said gathered information; (col. 3, lines 43-46; col. 4, lines 35-56—system contains validation and error checking components)
- means for assigning weight values in a weighting file in said computer system database,(col. 3, lines 46-52) said weight values being assigned by analyzing the present and future effects of said gathered information; (col. 6, lines 20-46; Tables 2 and 3)
- means for determining a total value based upon said assigned risk values and said assigned weight values for all of said gathered information; (col. 5, line 51- col. 6, line 47)

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- choosing means for selecting certain gathered information and certain pre-defined suggestions on medical and lifestyle choices that would lead to improving health and decreasing risk and that have similar subject matter to said gathered information; (col. 6, line 61-col. 8, line 10; Tables 4-5)
- evaluating means for comparing each of said total values for said gathered information with pre-defined accepted values and for comparing said chosen pre-defined suggestions with said gathered information wherein pre-defined suggestions are selected that are specific and closely-tailored to said gathered information and to the needs of said individual, including recommendations for treatment of health problems and for altering lifestyle to ensure better future health; (Tables 4-5; col. 6, lines 19-47; col. 6, line 61-col. 7, line 16)
- messaging means for providing messages that contain said pre-defined suggestions; (col. 7, lines 28-col. 8, line 41)

Dewey discloses a system for evaluating the health and lifestyle of at least one individual substantially as described above. Dewey further discloses that that system may be used by various groups including businesses and employers for counseling purposes, but does not expressly disclose the use of the system for insurable risk assessment. McDonnell teaches a system/method in which health assessments are performed on insureds/employees. (McDonnell: par. 12-14) McDonnell further discloses that the individuals are advised on reducing their health risks and given information on how health risks correlate to a reduction or discounts in their insurance premiums (i.e.

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assigning risk values to each of said weight values that represent levels of insurance risk and analyzing means for determining the level of insurance risk such that both a cost and an insurability profile are determined; communication of level of insurance risk/premium changes—McDonnell: par. 12-14) At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method/system of Dewey with the teaching of McDonnell to use the health assessments to evaluate insurability and insurance risk. As suggested by McDonnell, one would have been motivated to include this feature to slow the growth of healthcare costs (McDonnell: par. 2) and to provide insureds with specific health information to reduce Insurance costs while improving their health (McDonnell: par. 33)

[claim 2] Dewey and McDonnell disclose the system of claim 1 as explained in the rejection of claim 1. Furthermore, McDonnell discloses a method in which the individuals are advised on reducing their health risks and are given information on how health risks correlate to a reduction or discounts in their insurance premiums (i.e. assigns negative values for actions that increase insurance risk and positive values for actions that decrease insurance risk.) (McDonnell: par. 12-14) At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method/system of Dewey with the teaching of McDonnell. As suggested by McDonnell, one would have been motivated to include this feature to slow the growth of healthcare costs (McDonnell: par. 2) and to provide insureds with specific health information to reduce insurance costs while improving their health (McDonnell: par. 33)

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[claim 4] Dewey discloses a computer system further comprising a questionnaire database means to store a questionnaire said questionnaire being employed by said survey means in order that such individual can select appropriate responses to lifestyle questions. (col. 3, lines 9-52;Table 1; col. 4, lines 67-col. 5, lines 35; col. 8, lines 43-48)

[claim 6] Dewey discloses a system for evaluating individuals wherein said gathered information about lifestyle includes tobacco use (Dewey: Table 1; col. 4, line 67-col. 5, line 9), but does not expressly disclose gathering information on alcohol use and food intake. McDonnell discloses a system/ method wherein gathered lifestyle information includes alcohol use and food intake (i.e. diet/weight loss). (par. 14, 28) At the time of the Applicant's invention it would have been obvious to one of ordinary skill in the art to system/method of Dewey with the teaching of McDonnell to gather information on alcohol use and food intake. As suggested by McDonnell, one would have been motivated to include this feature to encourage insureds to alter poor health habits and reduce the overall costs of health care (par. 33)

[claim 7] Dewey teaches a method of evaluating in a computer system at least one individual, comprising the steps of:

- gathering information pertaining to lifestyle, health, and medical tests; (Figure 3; Table 1; col. 3, lines 64- col. 4, line 19; col. 8, lines 43-50)

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- receiving and storing said gathered information in a database in said computer system ((col. 3, lines 9-42; col. 8, lines 43-50 )
- verifying said gathered information; (col. 3, lines 43-46; col. 4, lines 35-56—system contains validation and error checking components)
- assigning of weight values by said computer system for each of said stored information, (col. 3, lines 46-52) said weight values being assigned by analyzing the present and future effects of said gathered information; (col. 6, lines 20-46; Tables 2 and 3)
- the computer system determining a total value based upon said assigned risk values and said assigned weight values for all of said gathered information for such individual; (col. 5, line 51-col. 6, line 47)
- choosing certain gathered information and certain pre-defined suggestions on medical and lifestyle choices that would lead to improving health and decreasing risk and that have similar subject matter to said gathered information; (col. 6, line 61-col. 8, line 10; Tables 4-5)
- comparing said chosen pre-defined suggestions with said gathered information wherein pre-defined suggestions are selected that are specific and closely-tailored to said gathered information and to the needs of said individual, including recommendations for treatment of health problems and for altering lifestyle to ensure better future health; (Tables 4-5; col. 6, lines 19-47; col. 6, line 61-col. 7, line 16)
- providing messages from said computer system that contain said pre-defined suggestions; (Tables 4-5; col. 6, lines 19-47; col. 6, line 61-col. 7, line 16)

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Dewey discloses a system for evaluating the health and lifestyle of at least one individual substantially as described above. Dewey further discloses that that system may be used by various groups including businesses and employers for counseling purposes, but does not expressly disclose the use of the system for insurable risk assessment. McDonnell teaches a system/method in which health assessments are performed on insureds/employees. (McDonnell: par. 12-14) McDonnell further discloses that the individuals are advised on reducing their health risks and given information on how health risks correlate to a reduction or discounts in their insurance premiums (i.e. assigning risk values to each of said weight values that represent levels of insurance risk and analyzing means for determining the level of insurance risk such that both a cost and an insurability profile are determined; communicating level of insurance risk/premium changes—McDonnell: par. 12-14) At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method/system of Dewey with the teaching of McDonnell to use the health assessments to evaluate insurability and insurance risk. As suggested by McDonnell, one would have been motivated to include this feature to slow the growth of healthcare costs (McDonnell: par. 2) and to provide insureds with specific health information to reduce insurance costs while improving their health (McDonnell: par. 33)

[claim 9] Dewey teaches a computer system for evaluating at least one individual, comprising:

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- a computer system database; (col. 3, lines 9-42; col. 8, lines 43-50)
- a survey unit for gathering information into said computer system database pertaining to said individuals' lifestyle, health, and medical tests in the form of a plurality of survey questions; (Figure 3; Table 1; col. 3, lines 64- col. 4, line 19; col. 8, lines 43-50)
- an entry unit for inputting said gathered information; (col. 3, lines 9-16; lines 25-29; lines 35-42)
- a verifier for verifying said gathered information; (col. 3, lines 43-46; col. 4, lines 35-56—system contains validation and error checking components)
- a weight analyzer for assigning weight values in a weighting file in said computer system database, (col. 3, lines 46-52) said weight values being assigned by analyzing the present and future effects of said gathered information; (col. 6, lines 20-46; Tables 2 and 3)
- a summing unit for determining a total value based upon said assigned risk values and said assigned weight values for all of said gathered information; (col. 5, line 51- col. 6, line 47)
- a selector for selecting certain gathered information and certain pre-defined suggestions on medical and lifestyle choices that would lead to improving health and decreasing risk and that have similar subject matter to said gathered information; (col. 6, line 61-col. 8, line 10; Tables 4-5)
- a comparator for comparing each of said total values for said gathered information with pre-defined accepted values and for comparing said chosen pre-defined

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suggestions with said gathered information, wherein pre-defined suggestions are selected that are specific and closely-tailored to said gathered information and to the needs of said individual, including recommendations for treatment of health problems and for altering lifestyle to ensure better future health; (Tables 4-5; col. 6, lines 19-47; col. 6, line 61-col. 7, line 16)

- a messaging unit for providing messages that contain said pre-defined suggestions; (col. 7, lines 28-col. 8, line 41)

Dewey discloses a system for evaluating the health and lifestyle of at least one individual substantially as described previously. Dewey further discloses that that system may be used by various groups including businesses and employers for counseling purposes, but does not expressly disclose the use of the system for insurable risk assessment.

McDonnell teaches a system/method in which health assessments are performed on insureds/employees. (McDonnell: par. 12-14) McDonnell further discloses that the individuals are advised on reducing their health risks and given information on how health risks correlate to a reduction or discounts in their insurance premiums (i.e. assigning risk values to each of said weight values that represent levels of insurance risk and analyzing means for determining the level of insurance risk such that both a cost and an insurability profile are determined; communicating level of insurance risk/premium changes—McDonnell: par. 12-14) At the time of the applicant's invention, it would have been obvious to one of ordinary skill in the art to modify the method/system of Dewey with the teaching of McDonnell to use the health assessments to evaluate insurability and insurance risk. As suggested by McDonnell, one would

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have been motivated to include this feature to slow the growth of healthcare costs (McDonnell: par. 2) and to provide Insureds with specific health information to reduce insurance costs while improving their health (McDonnell: par. 33)

6. Claims 3 and 8 are rejected under 35 U.S.C. 103(a) as being unpatentable over Dewey et al (USPN 5,084,819) and McDonnell ("Paying for Health Eager to Control Health-Care Costs...") as applied to claims 1 and 7 above, and in further view of DeTore (USPN 4,975,840)

[claim 3] Dewey and McDonnell in combination disclose the system of claim 1 as explained in the rejection of claim 1, but do not expressly a computer system further comprising a (second) database to store underwriter information including said risk values and said weight values. DeTore et al. disclose a system for evaluating insurable risk comprising a memory/database to store underwriter information (fig. 1, elements 24 and 26). At the time of the Applicant's invention, it would have been obvious to one of ordinary skill in the art to further modify the combination of Dewey and McDonnell to include a database to system the underwriting information and weighting information. As suggested by DeTore, one would have been motivated to include this feature to provide a system that improves the overall processes associated with evaluating risks by increasing access to information, coordinating information from multiple sources, and evaluating insurability in a more consistent manner. (DeTore: col. 1, lines 44-58)

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[claim 8] Dewey and McDonnell teach the method of claim 7 as explained in the rejection of claim 7. However, Dewey and McDonnell in combination do not expressly disclose that the individual is provided with the survey through the computer system. However, Dewey does disclose providing the individual with a survey/questionnaire (Table 1) and receiving the individual's answers from a questionnaire into the computer system (col. 8, lines 43-55). DeTore discloses a method wherein the step of gathering information also comprises the steps of providing said individual with a questionnaire through said computer system (col. 12, lines 62-66). At the time of the Applicant's invention, it would have been obvious to one of ordinary skill in the art to further modify the combination of Dewey and McDonnell with the teaching of DeTore to administer the questionnaire using the computer system. As suggested by DeTore, one would have been motivated to include this feature to provide a system that facilitates several processes associated with evaluating risks by increasing access to information, coordinating information from multiple sources, and evaluating insurability in a more consistent manner. (DeTore: col. 1, lines 44-58)

7. Claim 5 is rejected under 35 U.S.C. 103(a) as being unpatentable over Dewey et al (USPN 5,084,819) and McDonnell ("Paying for Health Eager to Control Health-Care Costs...") as applied to claim 1 above, and in further in view of Lynch ("Stay Healthy: Pay Le\$\$ for Health Insurance")

[claim 5] Dewey and McDonnell in combination disclose the system of claim 1 as explained in the rejection of claim 1. Furthermore, Dewey discloses a system wherein

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predefined suggestions are automatically differentiated by said computer system for specific users (Tables 3-5; col. 6, line 61-col. 7, line 30; col.7, lines 64-col. 8, line 10), but does not expressly disclose recommendations for pregnant users. Lynch discloses a system wherein insurance companies conduct risk assessments and provide health recommendations and health education specifically for pregnant individuals/insureds. (Lynch: par. 16-17) At the time of the Applicant's invention, it would have been obvious to one of ordinary skill in the art to further modify the method of Dewey and McDonnell with the teaching Lynch to provide health recommendations to pregnant users. As suggested by Lynch, one would have been motivated to include this feature to help manage maternity claims costs, reduce the number of high risk deliveries, decrease maternity related work absences, and to reduce infant and maternal mortality rates (Lynch: par. 18)

#### ***Response to Arguments***

8. Applicant's arguments with respect to claims 1-9 have been considered but are moot in view of the new ground(s) of rejection.

#### ***Conclusion***

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Rachel L. Porter whose telephone number is (571) 272-6775. The examiner can normally be reached on M-F, 9:30-6:00.

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If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas can be reached on (571) 272-6776. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

RP  
RP

*Joseph Thomas*  
JOSEPH THOMAS  
SUPERVISORY PATENT EXAMINER  
TECHNOLOGY CENTER 3600

<b>Notice of References Cited</b>		Application/Control No. 08/605,628	Applicant(s)/Patent Under Reexamination SIMONE, CHARLES B.	
		Examiner Rachel L. Porter	Art Unit 3626	Page 1 of 1

**U.S. PATENT DOCUMENTS**

*	Document Number Country Code-Number-Kind Code	Date MM-YYYY	Name	Classification
A	US-4,975,840	12-1990	DeTore et al.	705/4
B	US-5,084,819	01-1992	Deway et al.	434/262
C	US-			
D	US-			
E	US-			
F	US-			
G	US-			
H	US-			
I	US-			
J	US-			
K	US-			
L	US-			
M	US-			

**FOREIGN PATENT DOCUMENTS**

*	Document Number Country Code-Number-Kind Code	Date MM-YYYY	Country	Name	Classification
N					
O					
P					
Q					
R					
S					
T					

**NON-PATENT DOCUMENTS**

*	Include as applicable: Author, Title Date, Publisher, Edition or Volume, Pertinent Pages)
U	McDonnell, Lynda; "Paying for Health Eager to Control Health-Care Costs, More Companies...", May 3, 1992, St. Paul Pioneer Dispatch, Page 1G (4 pages)
V	Lynch, Catherine; "Stay Healthy: Pay Le\$\$ for Health Insurance," Nov. 1992, Life & Health Insurance Sales, vol. 135 no. 11, pp.20-22 (4 pages)
W	
X	

\*A copy of this reference is not being furnished with this Office action. (See MPEP § 707.05(e).)  
Dates in MM-YYYY format are publication dates. Classifications may be US or foreign.

6/9/3 (Item 1 from file: 701)  
 DIALOG(R) File 701:St Paul Pioneer Pr Apr  
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11624205

**PAYING FOR HEALTH EAGER TO CONTROL HEALTH-CARE COSTS, MORE COMPANIES ARE OFFERING FINANCIAL INCENTIVES TO EMPLOYEES WITH HEALTHY LIFESTYLES. BUT SOME CRITICS SAY WHAT WORKERS DO AWAY FROM THE JOB IS NONE OF THEIR EMPLOYERS' BUSINESS.**

St. Paul Pioneer Press Dispatch (ST) - SUNDAY May 3, 1992  
 By: Lynda McDonnell, Staff Writer  
 Edition: METRO FINAL Section: Business Page: 1G  
 Word Count: 1,715

## MEMO:

See accompanying story:IN THE BAD OLD DAYS, CAKE AND SPAGHETTI

## TEXT:

(1) With company gyms and lectures on nutrition, smoking bans and low-fat lunches, employers long have coaxed employees to stay healthy. Now some of them are adding incentives to atmospherics and paying cold cash for good health.

(2) Anxious to slow double-digit growth in health-care costs, employers want their workers to buckle up, exercise, lose weight, stop smoking and control cholesterol levels and blood pressure. To accomplish that, firms as large as Honeywell and as small as 265-person Foldcraft in Kenyon, Minn., are using cash payments and insurance premium discounts to get employees to do what's good for them. In the process, they are edging away from the concept of group insurance to one based partly on individual risk.

(3) At United Power Association in Elk River, employees can save up to \$840 a year on health insurance premiums by having healthy habits. At General Mills, annual savings can total \$240.

(4) Minneapolis consultant Bill Jose likens the trend to risk rating for auto insurance. "If you drive a Ferrari, which is a high-risk behavior in itself, and if you drive it the way it's supposed to be driven, you're going to pick up tickets and your insurance rates are going to go up," he said. "What employers are telling employees is, 'Take reasonably good care of the equipment we're insuring.'"

(5) But even as incentive programs grow, so does controversy about them. "The truth is that many people have genetic predispositions toward obesity, toward high cholesterol," says Sonia Muchnick-Baku, an analyst with the Washington Business Group on Health. "And in my opinion, it is not fair to charge people for what they cannot control."

(6) Doug Grabham, a principal in the Minneapolis office of the Towers Perrin consulting firm, points out that many incentive plans are designed merely to shift health-care costs to employees, not to help them improve their health.

(7) "You'll see some lip service, but you'll also see a lot of plans that don't pay for the nicotine patch," he said.

(8) Tobej Lapakko, director of consumer affairs for the Minnesota AFL-CIO, has even broader concerns. "Wellness is wonderful," she said. "Everyone would like to be well. The question is how much say-so should an employer have over what you do outside the workplace."

(9) Plenty, employers answer, considering that they foot most of the medical

bills for bad habits. Smoking can increase health-care costs by 10 percent in a single year, they note, and even more over the long term.

(10) "There ought to be an element of risk there," says Mark Laub, vice president of corporate services at United Power, a rural electric cooperative. "If you choose the wrong choices even after you've had a chance to be educated and learn the consequences, why should I pick up the bill?"

(11) Incentive health plans are spreading fast. According to a recent survey by A. Foster Higgins & Co., 3 percent of 235 major U.S. firms surveyed last year offered such programs. Nine percent plan to add them this year. Another 19 percent are considering them.

(12) Food division employees at General Mills can reduce their insurance premiums by \$20 a month if they have their own and their spouses' health assessed. After the assessment, they are given advice about reducing their health risks. If employees want to qualify for the discount the following year, they must score well on several health measures.

(13) "They either have good lifestyles or they're going to make significant lifestyle changes," says Dr. James Craig, the firm's director of health and human services.

(14) Honeywell employees in the Twin Cities can earn a \$200 cash payment by being screened for heart disease and cancer risks and reducing those risks - by losing weight or quitting smoking, for example. To qualify for the cash, they also must attend a few classes on subjects ranging from nutrition to allergies. And they must consult with a company adviser on major medical claims to ensure that they're getting the most cost-effective treatment.

(15) The controls company piloted the incentive program in its research centers last year and found results encouraging. Sixty percent of the people found at risk for heart disease changed their habits enough to qualify for the cash award this year. Honeywell expects to get a 100 percent return on its investment in screening, education and cash incentives within five years.

(16) "We learned that money works," said Kathy Barclay, Honeywell's manager of health services.

(17) Honeywell and other employers say employee response to their incentives has been largely positive. "It's clearly voluntary ... It doesn't feel coercive," Barclay said.

(18) But the difference between the carrot and the stick is often slight. "The reality is if you have a lower health status, you pay more," Muchnick-Baku said. Moreover, mandatory measures are on the way at some firms. Starting next year, General Mills will charge higher premiums - about \$40 more a month for family coverage - for those who account for the top 20 percent of claims, regardless of whether the individual's behavior caused the illness.

(19) "This is not intended to be punitive," said Alan Ritchie, director of compensation and employee benefits. "It makes a connection between usage and cost. We think that's an appropriate connection."

(20) Most chronic diseases, such as diabetes, can be controlled with proper care and behavior, he said. "The person shouldn't be in the top 20 percent year after year. And if they are, they're going to get far more out of it than they put in."

(21) Because people with less education and lower incomes tend to smoke more,

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eat more fatty foods and exercise less than their wealthier colleagues, health incentive plans risk discriminating based on class. Some critics warn of tensions between white-collar workers who jog and sip Perrier and plant workers who smoke, drink beer and get socked on their health insurance.

(22) "You can go in there and smell the fumes from the gases and that's OK. But you light up a cigarette!" complained Allen Robertson, a millwright and smoker working temporarily at United Power's generating plant in Elk River, where smoking is forbidden.

(23) Harsh incentive programs could provoke an outcry from American workers, who feel strongly about privacy and personal rights. In a recent survey by the National Consumers League, more than 7 of every 10 people said employers had no right to require employees to lose weight, quit smoking or stop drinking alcohol. But in a tight labor market, consultants acknowledge, employees may be reluctant to complain.

(24) Regardless of employee reaction, how much should the employer hold workers responsible for their health? How fair is it for an employer to apply general risk factors - such as the link between high cholesterol levels and heart disease - to individuals who may have no family history of heart disease? Should factors like sexual preference, weekend hobbies or family histories of disease also be considered when setting premiums?

(25) Patricia Drury, executive director of the Minnesota Coalition on Health, believes employers should be cautious. "Once you get beyond smoking and seatbelts, which have a big impact and are discretionary, there's some very complicated questions that come up," she said, including genetic predisposition.

(26) Muchnick-Baku says several questions should be asked in evaluating programs: Is the scientific evidence of risk a firm one? Scientific opinion on cholesterol's effects has varied, she notes. Is the risk factor under the individual's control? Does the company provide resources to help people change their behavior? Is there undue risk associated with drugs used to treat a condition?

(27) The key to a fair program, Muchnick-Baku believes, is the effort made to educate employees about health and reward them for good efforts. If a person reduces her consumption of fats but still has high cholesterol, she should receive some reward, the analyst believes. "It is important not to blame them but rather to encourage them."

(28) United Power has tried to do this. Employees report whether they qualify for premium discounts based on their weight, exercise, seatbelt use, blood pressure, cholesterol level and use of tobacco, alcohol and drugs. Even if they exceed the designated levels, employees can qualify for some discounts if they are under a doctor's care. And if employees achieve their goals in weight loss or smoking programs, the company will reimburse up to \$150 of the program cost.

(29) Do the programs work at improving employees' health and controlling medical costs? A quarter of United Power's employees still smoke, and Harju acknowledges that it's hard to measure heart attacks that are averted. But she's a believer, nonetheless. "It's really a leap of faith. It just makes sense."

(30) General Mills' Craig is encouraged by results from a health-incentive plan for its 1,200 salespeople. In the plan's first five years, sales regions competed with each other and cut the number of smokers from 16

percent to 9 percent of the participants. The percentage who exercise faithfully rose from 48 percent to 70 percent. Over time, the effects spread throughout the sales force. By the end of five years, all but 47 people had enrolled in the program. At sales meetings, there was little smoke and little drinking.

(31) As the president of the firm's consumer foods sales is fond of saying, "They changed from a group of people who ran around at night to a bunch of people who ran in the morning."

(32) But many firms aren't thinking about long-term results, says Grabham of Towers Perrin. "A lot of the companies I'm working with are in a survival mode. To them, long-term is 12 months."

(33) Without programs to educate employees and support their efforts to break bad habits, he warns, health patterns won't change. And health care costs will keep right on climbing.

#### LIFESTYLE INCENTIVES

(34) These are the commitments UPA employees must make to qualify for medical insurance premium discounts.

No smoking.

No alcohol or drug overuse.

Guideline body weight.

Regular exercise.

Seatbelt use.

Normal blood pressure, or under doctor's care.

Normal cholesterol level, or under dietary control and treatment.

Medical or health-risk exam this year.

#### CAPTION:

#### PHOTO

(35) 2 Photos by Valica Boudry 1)Kathy Brown, left, Zeke Clausen, center, and Richard Hubbard work out at United Power Association. 2)Mark Laub and Naomi Harju helped put the emphasis on employee health at United Power.

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Stay Healthy: Pay Less for Health Insurance

Lynch, Catherine

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CIGNA Corp (DUNS:02-905-3964 TICKER:CI)

Metropolitan Life Insurance Co (DUNS:00-698-7648)

Standard Telephone Co (DUNS:00-389-9291)

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ABSTRACT: People in the US are starting to realize that they do have partial control over their health. Health insurers are reorganizing their services, focusing more on illness prevention to try to reduce soaring medical costs. In the last decade, there has been a tremendous growth in managed-care networks, in which groups of doctors and hospitals are signed by an insurer and agree to hold down costs. Insurers and employers now understand that it is important to manage recipients of health care, as well as providers. Insurers, in conjunction with employers, have developed health promotion programs designed to help employees become lifestyle managers and smarter medical consumers. Insurance companies, such as The Travelers Corporation, Cigna, and MetLife, have been major supporters of health promotions and have developed programs for their employees.

TEXT: Nowadays, the old cliche "an ounce of prevention is worth a pound of cure" seems to dictate the lifestyles of many. Today, Americans are beginning to realize there are some things, like their health, that they do have partial control over. Everyone seems to be jumping on the "stay healthy" band wagon. And now even your health insurer is coming along for the ride.

Health insurers across the country are reorganizing their services, focusing more on illness prevention, in an effort to reduce expanding medical costs. In the past ten years, the industry has seen tremendous growth in managed-care networks, in which groups of doctors and hospitals are signed by an insurer and agree to hold down costs.

By contrast, under the traditional indemnity system, patients go to the doctor of their choice and the insurer picks up the tab for an almost unrestricted range and frequency of services.

Today, managed-care controls only the providers (doctors and hospitals) of health care, it's only half the solution, according to industry observers. Insurers and employers now realize that it is equally important to manage the recipients (employees) of health care. Therefore, insurance companies which have rarely been concerned with this side of the equation are introducing health promotion products and those companies which have always offered such products are now offering them with lower premiums to entice

employees to participate.

#### FOCUS ON ILLNESS PREVENTION

(6) Health promotion products come in many different sizes, shapes and colors, all of which vary from company to company. Generally health promotions can be described as the process by which insurers and employers, through education, communication and counseling, work together to help employees become "lifestyle managers" and smarter medical consumers. It is founded on the premise that the introduction of changes in an employee's lifestyle can dramatically reduce his or her need for medical care. Its whole focus is on illness prevention.

(7) Insurers offer these products to corporations after a thorough assessment of that corporation's insurance needs.

(8) From a broad array of products and services the insurer and employer design a comprehensive program and later evaluate program success.

(9) "At Cigna, we analyze the client and try to find out what is driving their health cost so high in a particular market," explains Catherine Hawkes, Assistant Vice President, Employee Benefits, Cigna Insurance, "Once we determine the high risk area, we develop products targeting that area.

(10) For example, if Cigna insures a company where 80 percent of its employees are smokers, Cigna will help the employer develop an on-site smoking cessation program and will provide education materials explaining the serious risks of smoking. The program will be monitored and evaluated periodically. If there is a large decrease in the percentage of smokers, the company will be at a lower risk, therefore, their premiums will be lowered.

#### PROMOTING WELLNESS PROGRAMS

(11) A major supporter of health promotions is The Travelers Corporation. In describing its program, Stephan A. Gray, President, Center for Corporate Health, a subsidiary of Travelers which handles its health promotions, states "The Travelers' managed-care system addresses both sides of the health care equation: the practitioner-based supply side and the patient-driven demand side."

(12) In April of this year, Travelers offered lower health premiums for new and existing customers using its "Take Care" health promotion product. The package includes: "Take Care of Yourself: Your Personal Guide to Self-Care and Preventing Illness," a best-selling medical reference guide, "Take Care," a monthly newsletter addressing healthy lifestyles, and "Bright Futures," a comprehensive maternity management program. Employers also receive unlimited toll-free access to the Informed Care health and medical counseling service.

(13) According to Craig Russell, General Manager, Center for Corporate Health, "Research shows that well-informed and 'supported' individuals make better health and medical care decisions using fewer services." The Center for Corporate Health sites one of Travelers' customers, The Standard Telephone Company, as a perfect example.

(14) This independent telephone company, based in Georgia, is dedicated to health promotion and illness prevention programs. Since 1984 the company has been promoting the wellness concept. And two years ago Standard incorporated Travelers' "Take Care" program into its benefits package. Today the firm offers a variety of wellness services to their employees

which includes an annual individual health screening, at which time an analysis of weight, blood pressure, body fat and resting heart rate scores are established with recommendations by a registered nurse. In addition, because Standard is a manual labor orientated company, an important part of their screening is the evaluation of flexibility. They screen for low back problems, carpal tunnel syndrome and other joint-related illnesses. This is very important for construction/line crew personnel and desk jobs. Relaxation techniques and proper lifting techniques are taught throughout the year. The Standard Telephone Company has a dozen other programs from seminars on healthy eating to actual wellness social events.

Standard has seen significant savings in its health care costs since it purchased Travelers' "Taking Care" program. Linda Ramey, Benefits Training Manager at Standard, explains. "At the end of 1991, 375 employees averaged 1.2 fewer doctor and emergency room visits than had been projected for the year." Ramey maintains, "At an average of \$50 per visit, Standard's claims were reduced by \$22,500. And Travelers renewed our 1992 policy with a 3 percent premium discount, saving Standard \$27,290."

#### PRENATAL EDUCATION PROGRAMS

(15) Travelers is not alone in its health promotions campaign. Other insurers, such as Aetna, Cigna and MetLife have similar professional and flexible managed-care networks that also include illness prevention products. They too have a comprehensive maternity package. Aetna has Healthy Beginnings, Cigna a prenatal education program designed to identify and assist women who may be at risk of delivering premature or low-birth-weight babies. Through the program employees receive valuable information on proper diet, exercise and nutritional requirements. There are counselors available--in some cases in person, in others by telephone--to aid women in making informed decisions about her own health and medical care, and that of her baby.

(16) The program usually conducts risk assessments prior to pregnancy and during each trimester, provides information and counseling support before, during and after pregnancy, and encourages regular check-ups with health professionals.

(17) Insurers believe that such products will help manage maternity claim costs by reducing the number of low-birth-weight babies and C sections, decreasing work absences, enabling an earlier return to work after delivery, and reducing infant and maternal mortality rates.

(18) Metropolitan Life earlier this year launched its nationwide Child Health Initiative program: a unique value-added plan to help young families. Designed for MetLife's health maintenance organization (HMO), a type of managed care, the program provides educational child care information to parents of children through five years of age.

(19) The way it works is shortly before a child's birthday each year, parents who are MetLife HMO members receive one of six age-specific books containing child care information on four main topics: nutrition, safety, development and parenting. Particular emphasis is given to safety and to timely immunization.

(20) In a statement shortly after the program was introduced, Robert A. Chernow, Senior Vice President in charge of MetLife's Managed Care Services Group, states, "The Child Health Initiative was designed for our HMO members to support our managed care philosophy that the health care industry must change its focus from the treatment of illness to the promotion of wellness and the prevention of sickness."

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22 Since the program is new, it's too soon to determine its success rate. However, Chernow stated, "If we help to avoid just one serious accident preventable illness, with the possibility of lifelong consequences, the program will be worthwhile. In fact, saving just one physician office visit over a child's preschool years pays for the program tenfold."

23 Lower health premiums is certainly an incentive for employers to implement their insurer's wellness programs into their health benefits; however, it is not the only reason. "There seems to be a consensus out there that if you can get your employees healthier, then there will be an increase in productivity and morale," explains Vince Sweeney, Vice President, Employee Benefits, Crum and Forster, a property/casualty insurance company insured by Aetna and located in New Jersey.

24 Sweeney explains that when he first merged Crum and Forster's managed care with Aetna's Wellness Express program, employees were skeptical, "but once the program got started, employees began to feel employers do care about them." This, according to Sweeney, will inevitably raise employees' level of commitment and as a result will increase productivity.

25 The wellness concept seems to be spreading quite rapidly throughout the insurance industry. As medical costs continue to rise, many experts believe that within the next few years every major insurance carrier will offer lower premiums to companies who are merging their managed care networks with illness prevention programs. Industry observers believe insurers will continue to invest more now in health promotions, hoping to spend less later on medical claims.

26 So, don't be surprised if tomorrow morning when you get to work and the phone rings, it's your insurance agent asking, "Did you eat your Wheaties this morning?"

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